

Message Text

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INFO AMEMBASSY AMMAN
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AMEMBASSY DAMASCUS
AMCONSUL JERUSALEM

C O N F I D E N T I A L TEL AVIV 5395

E.O. 11652: GDS
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SUBJ: IMPLICATIONS OF DEATH OF PINHAS SAPIR

1. SUMMARY: SUDDEN DEATH OF JEWISH AGENCY CHAIRMAN AND FORMER FINANCE MINISTER PINHAS SAPIR LAST WEEK REMOVED FROM SCENE ONE OF LEADERS OF LABOR ALIGNMENT MODERATES. SAPIR, TOGETHER WITH EBAN, HAD BEEN IN FOREFRONT OF THOSE WITHIN LABOR PARTY PRESSING FOR MORE FLEXIBLE GOI POLICY TOWARD ARAB-ISRAELI DISPUTE, A STANCE CONSISTENT WITH VIEWS HE HELD WHILE SERVING IN MEIR GOVERNMENTS. ON DOMESTIC POLITICAL SCENE, SAPIR'S DEATH MAY CONTRIBUTE TO ACCELERATION OF PROCESS BY WHICH RABIN IS ATTEMPTING ESTABLISH HIS LEADERSHIP OVER LABOR PARTY AND MOVING TOWARD ABOLITION OF ITS FACTIONAL DIVISIONS. SAPIR'S COLLEAGUE AND PROTEGE, FINANCE MINISTER RABINOWITZ, NOW EMERGES AS DOMINANT PERSONALITY IN FORMATION OF SOCIAL-ECONOMIC POLICY AND ONE OF RABIN'S MAIN LINKS WITH PARTY. IN LAST YEAR OF HIS LIFE, SAPIR HAD BEEN IN POLITICAL TWILIGHT; ONCE THE LEADING CANDIDATE TO SUCCEED

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MRS. MEIR, PARTY KINGMAKER, AND ECONOMIC CZAR, HIS REPUTATION HAD BEEN TARNISHED BY REVELATIONS OF ECONOMIC SCANDALS (EVEN THOUGH REGARDED AS PERSONALLY HONEST). ON DEEPER LEVEL, SAPIR'S DECLINE WAS PART OF

LARGER STORY, THE END OF THE GENERATION OF FOUNDING FATHERS WHOSE APPROACH TO POLITICS, SOCIETY AND ECONOMICS IS BEING REPLACED BY A NEW GENERATION OF LESS CHARISMATIC, BUT MORE EFFICIENT, TECHNOCRATS. ALTHOUGH SOME POLITICAL OBSERVERS HAVE SUGGESTED THAT SAPIR'S DEMISE COULD CAUSE A POWER VACUUM IN LABOR PARTY LEADING TO DRASTIC POLITICAL RESULTS, THIS SEEMS UNLIKELY TO EMBASSY. IN PURELY POLITICAL TERMS, SAPIR HAD STOPPED PLAYING HIS FORMER KINGMAKER ROLE A LONG WAY BACK. END SUMMARY.

2. SAPIR'S LAST YEAR. IN THE LAST YEAR OF HIS LIFE, PINHAS SAPIR HAD ALREADY ENTERED HIS POLITICAL TWILIGHT. BEFORE OCTOBER 1973 WAR, HE HAD BEEN WIDELY REGARDED AS LEADING CANDIDATE TO FOLLOW MRS. MEIR AS PRIME MINISTER. WHEN MOMENT OF DECISION CAME IN APRIL 1974, SAPIR STUCK TO HIS RESOLVE NOT TO ACCEPT POSITION FOR WHICH HE REGARDED HIMSELF AS UNSUITED, AND PASSED THE SUCCESSION TO YITZHAK RABIN.

3. ON STEPPING DOWN FROM HIS GOVERNMENT ROLE TWO MONTHS LATER, SAPIR WAS THE UNDISPUTED DOMINANT FORCE IN THE MOLDING OF ISRAEL'S ECONOMIC AND SOCIAL POLICIES IN HIS TWIN CAPACITY AS MINISTER OF FINANCE AND THE NATION'S LEADING FUND RAISER. HE HAD BEEN SIMULTANEOUSLY ONE OF THE MAIN CONDUITS FOR THE INFLOW OF CAPITAL FROM NON-GOVERNMENTAL SOURCES AND THE KEY FIGURE IN DECIDING UPON THE ALLOCATION OF THESE FUNDS. BY HIS OWN CHOICE, SAPIR TURNED DOWN RABIN'S OFFER TO CONTINUE AS MINISTER OF FINANCE IN THE NEW GOVERNMENT, PREFERRING INSTEAD TO BECOME CHAIRMAN OF THE JEWISH AGENCY. IN DOING SO, HE WAS MOTIVATED BY A CLEAR AWARENESS OF THE PUBLIC RESENTMENT AT THE OUTGOING MEIR GOVERNMENT, WITH WHOSE POLICIES HE WAS CLOSELY IDENTIFIED, BUT ALSO BY A PROFOUND INNER CONVICTION OF THE IMPORTANCE OF THE JEWISH AGENCY'S WORK.

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4. WHILE SAPIR PURSUED HIS NEW RESPONSIBILITIES WITH THE SAME VIGOR WHICH HAD CHARACTERIZED HIS SERVICE IN THE GOVERNMENT, HIS LAST YEAR WAS NOT A HAPPY ONE. ISRAEL'S ECONOMIC AND SECURITY PROBLEMS TOGETHER WITH VICISSITUDES OF SOVIET EMIGRATION POLICY CONTRIBUTED TO A DECLINE IN IMMIGRATION, WHILE WORLDWIDE INFLATION AND CHANGES IN AMERICAN JEWRY'S RELATIONSHIP TO ISRAEL MADE FUND RAISING AND PROMOTION OF ALIYA (IMMIGRATION) A DIFFICULT AND THANKLESS TASK.

5. SAPIR'S HIGHLY PERSONAL AND AT TIMES BRUSQUE STYLE SEEMED ANACHRONISTIC, A CARRYOVER FROM EARLY ZIONIST POLITICS, OUT OF STEP WITH THE EMERGING GENERATION OF

BUREAUCRATS AND TECHNOCRATS. IN ADDITION, HIS REPUTATION IN THE LAST YEAR WAS TARNISHED BY MEDIA EXPOSURE OF A WIDE VARIETY OF ECONOMIC AND FINANCIAL SCANDALS. WHILE IT WAS BELIEVED THAT SAPIR HIMSELF WAS IMPECCABLY HONEST, AND THAT HE IN NO WAY BENEFITTED FROM ANY IMPROPRIETY OR MISMANAGEMENT OF PUBLIC FUNDS, SOME OF THE GUILTY WERE HIS PROTEGES AND IT WAS ALSO ALLEGED THAT HE WAS RESPONSIBLE FOR CREATING THE ENVIRONMENT IN WHICH THESE ABUSES HAD TAKEN PLACE.

6. IMPACT ON LABOR PARTY MODERATES. GIVEN THE EVIDENT DECLINE IN HIS REPUTATION AND POWER IN THE LAST YEAR, HIS DEATH THIS WEEK HAS CONSIDERABLY LESS IMPACT THAN WOULD HAVE BEEN THE CASE IF HE WAS STILL OCCUPYING A MINISTERIAL POSITION. AT THE SAME TIME, WE AGREE WITH THOSE COMMENTATORS WHO HAVE ALREADY NOTED THAT HIS DEATH WILL TEND TO WEAKEN THE POSITION OF THE MODERATE CAMP ON ARAB-ISRAELI NEGOTIATING ISSUES. WHILE IN THE MEIR GOVERNMENT, SAPIR HAD BEEN AN OUTSPOKEN ADVOCATE OF THE "DOVISH" POSITION, ADVOCATING A POLICY OF MAJOR TERRITORIAL CONCESSIONS, PARTICULARLY ON THE VOLATILE WEST BANK ISSUE, AS ISRAEL'S CONTRIBUTION TO PEACE. IN PRACTICE, HOWEVER, HE HAD COMPROMISED--EXPRESSING HIS VIEWS IN PARTY DEBATES BUT ALLOWING THE MEIR-DAYAN-GALILI TRIUMVIRATE TO PURSUE A STATUS-QUO POLICY. IN THE MAY 1975 LABOR ALIGNMENT FOREIGN POLICY DEBATES, SAPIR HAD IDENTIFIED HIMSELF WITH EBAN IN CALLING ON RABIN TO PURSUE A MORE FLEXIBLE POLICY, URGING A GOI
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INITIATIVE FOR AN OVERALL POLITICAL SETTLEMENT. HIS VOICE ON THESE ISSUES HAS NOW BEEN STILLED.

7. INTERNAL POLITICS. ON THE DOMESTIC POLITICAL SCENE, SAPIR'S DEATH PROBABLY WILL CONTRIBUTE TO THE ONGOING PROCESS BY WHICH RABIN IS CONSOLIDATING HIS HOLD AS LEADER OF THE LABOR PARTY. AS ONE COMMENTATOR HAS WRITTEN, "MAPAI HAS DIED TOGETHER WITH SAPIR". INDEED, SAPIR FOR MANY YEARS HAD BEEN AT THE CENTER OF THE CENTER, KINGMAKER OF THE LABOR PARTY, DETERMINING PLACES ON THE PARTY'S NATIONAL ELECTION LIST, MANIPULATING MUNICIPAL POLITICS, AND DISPENSING PATRONAGE THROUGH THE MAPAI/HISTADRUT NETWORK. IN THE LAST YEAR, HOWEVER, THE OLD MAPAI LEADERSHIP--AS THAT OF THE OTHER FACTIONS--HAS BEEN ON THE DEFENSIVE, FACED WITH GROWING PUBLIC CRITICISM AGAINST SUCH AN INBRED AND SELF-PERPETUATING SYSTEM. RABIN HIMSELF GRADUALLY HAS BEEN DEVELOPING A NEW APPROACH, BEGINNING TO TAKE THE LEAD TO BUILDING A PARTY IN WHICH THE TRADITIONAL FACTIONS WOULD BE PHASED OUT. WHETHER HE WILL BE SUCCESSFUL IS STILL UNCLEAR. SAPIR IN ANY CASE WAS NOT STANDING IN HIS WAY, BUT MANY OF THE LESSER LIGHTS IN MAPAI STILL

HAD ENTERTAINED HOPES THAT THE OLD KINGMAKER WOULD BE ABLE TO PROTECT THEM IN THE TRANSITION TO WHAT MAY BE A NEW POLITICS.

8. ECONOMIC-SOCIAL POLICY. IF ANY ONE PERSONALITY STANDS TO EMERGE MORE FORCEFULLY AS A RESULT OF SAPIR'S DEATH, IT IS PROBABLY HIS CLOSE FORMER COLLEAGUE AND PROTEGE, FINANCE MINISTER RABINOWITZ. SAPIR AND RABINOWITZ HAD BEEN THE LEADERS OF THE LABOR PARTY TEL AVIV'S CORE GROUPING (THE "GUSH"). AND, WHILE NOT RABIN'S FIRST CHOICE, RABINOWITZ HAD REPLACED SAPIR AT THE FINANCE MINISTER. IN THE LAST YEAR HE HAS BEGUN TO PUT HIS OWN IMPRINT ON ISRAELI ECONOMIC AND SOCIAL POLICIES. RABIN HAS ALSO INCREASINGLY RELIED ON HIM AS HIS MAIN LINK WITH PARTY.

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